FDI in Telecom Sector

103. SHRI M.A.M. RAMASWAMY: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government propose to hike Foreign Direct Investment in the Telecom Sector;

(b) if so, the details thereof;

(c) whether Government have prepared any broad parameters for such investment;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD): (a) and (b) Yes, Sir. A proposal to hike Foreign Direct Investment limits in telecom sector from 49% to 74% was announced to the Budget 2004-05

(c) No, Sir.

(d) Does no arise in view of (c) above.

(e) Preparation of parameters for such investment is subject to consultations with concerned Ministries and Departments.

Special package to telecom industry

104. SHRI M.A.M. RAMASWAMY: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government propose to award a special package to help the telecom industry in the country to the tune of Rs. 960 crores;

(b) if so, the details thereof;

(c) the details of benefits that are likely to accrue to MTNL, BSNL and other private telecom operators; and

(d) the steps taken to implement the package?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD): (a) to (d) The Government had announced in December, 2003 certain financial and non-financial measures to be taken for further growth of telecom sector which *inter-alia* included:

(A) Financial Measures :

(i) Reduction in licence fee by 2% of adjusted Gross Revenue (AGR) for Cellular/Basic/Unified Access Service licensees with a stipulation that no operators should pay less than 5% of AGR as stipulate for Universal Service Obligation Fund.

(ii) Reduction in licence fee in respect of cellular licensees who were granted licences on the basis of bids invited in 1995 for grant of licence in telecom circle service area by another 2% of AGR for a period of 4 years with a stipulation that no operator should pay less than 5% of AGR.

Non-Financial Mesures:

(i) A proposal for increasing the Foreign Direct Investment cap from 49% to 74% will be placed before the Cabinet. The extra proportion is to be provided by Foreign Institutional Investors only. The concern expressed by the security agencies is to be taken into account while considering such proposals in consultation with the security agencies.

(ii) The guidelines for Intra Circle Mergers and acquisitions to be issued expeditiously after considering the recommendation of Telecom Regulatory Authority of India (TRAI) on the subject.

(iii) Financial insitution will be encouraged to assess that relief steps on a case-by-case basis depending upon the present financial conditions of the companies and viability of the prospective schemes.

The above-mentioned reduction in licence fee has become effective from 1st April, 2004. It was estimated that the reduction in licence fee would result in reduction of revenues by about Rs. 885 crores for 2004-05. It was expected that Rs. 560 crores reduction will be attributed to BSNL, Rs. 100 crores to MTNL and Rs. 225 crores to Private Basic/

Cellular and Unified Access Service Providers. The revenue implications of reduction of another 2% of AGR in respect of cellular licensees who were granted licences on the basis of bids invited in 1995 for grant of licence in telecom circle service area were estimated to be Rs. 83 crores per annum.

The proposal to increase the Foreign Direct Investment was placed before the Cabinet in January, 2004. The Cabinet decided to defer the proposal. Finance Minister, in his Budget speech has proposed that the FDI cap be enhanced to 74%.

After considering the recommendations of TRAI, the guidelines of Intra Circle Mergers and acquistions have been issued on 21st February, 2004.

Ministry of Finance has requested various financial institutions to take necessary action to assess debt relief steps on case-to-case basis depending upon the present financial condition of the companies and viability of prospective schemes.

Under Sea Cable between India and Singapore

105. SHRI K. RAMA MOHANA RAO: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that VSNL has recently started working on laying 3175 kms. of under sea cable in the Indian sea bed between India and Singapore;

(b) if so, the details of bandwidth capacity of the cable; and

(c) by when the project is expected to be completed and by when the commercial operations would start?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD): (a) Yes, Sir.

(b) VSNL is implementing a submarine fibre optic cable system known as the Tata Indicom India-Singapore Cable System (TIISCS) linking Chennai, India to Singapore. The bandwidth capacity of the cable is 5.12 Tbps (Tera bits per second).